FNCCI, GTZ Sign MoU to increase productivity and to boost Youth Self Employment Programme

The Federation of Nepalese Chambers of Commerce and Industry (FNCCI) and the German technical agency, GTZ, signed two separate Memorandums of Understanding (MoUs) in a bid to increase the productivity of the labourers and to boost the Youth Self Employment Programme.

The FNCCI, GTZ, Inclusive Development of the Economic Program include National Business Initiative –NBI and the International Labour organization (ILO) have collaborated to strengthening, capacity building and enhancing mutual labour relationship to mitigate conflict issues at local levels.

FNCCI president Kush Kumar Joshi and GTZ, Programme Manager Horst Ammann signed the MoU on behalf of their respective organizations to promoting the Youth Self-Employment Programme and producing skilled manpower.

Similarly, Joshi, Ammann, NBI president Padma Jyoti And Shengjie Li, country director of ILO signed MoU to enhancing mutual labour relationship for capacity building at the local levels.

As per the MoU the FNCCI and the GTZ will provide facilities and training to the people under Youth Self Employment Programme who had applied for loans from banks to start their own small businesses and enterprises.

It will encourage the candidate to prepare a banking proposal and build their capacity to develop their business plans. The programme is expected to be completed within five months in Panchthar, Surkhet, Narayangarh and Palpa.

The second MoU signed to create awareness to mitigate the labour tussle, help create cordial relationship between the labourers and the concerned stakeholders and create congenial environment to develop good labour relationship.

Finance Minister Pandey unveils 285.9 billion budget

Finance Minister Surendra Prasad Pandey on July 13 unveiled the budget estimates of Rs.285 billion 930 million for the fiscal year 2009/10.

Of the total budget, Minister Pandey has proposed Rs.160.63 billion (56.18%) general expenditure and Rs.106 billion 284.8 million (37.17%) capital expenditure. Likewise, principal repayment is estimated to be Rs.19 billion 12.8 million (6.65%).

The proposed expenditure is higher by 33.87% than the revised estimates of the fiscal year 2008/9. The capital expenditure has been increase by 44.98%, recurrent expenditure by 31.58% and principal repayment by 4.53% than the revised estimates of the fiscal year 2008/9.

Of the total expenditures, Rs.135.58 billion (47.42%) will go for general administration and Rs.150.34 billion (52.58%) for development related expenses.

Of the total required resources, Rs.161.73 billion will be borne from the current sources of revenue. Out of the total foreign assistance of Rs.78 billion 516.2 million, Rs.56 billion 955.6 million would come in the form of foreign grants and Rs.21.56 billion as loans. The budget will have a deficit of Rs.46 billion 340.02 million.

Minister Pandey said that the government would generate an additional Rs.15 billion 430.02 million through new sources of revenue mobilization and there will be a net deficit of Rs.30.91 billion which will be financed through domestic borrowings.

The budget projected a growth rate of 5.5% for the coming fiscal year. The growth rate in agriculture sector is expected to be at 3.3% and the non agriculture sector at 6.8%. It is estimated that inflation rate will be around 7.0%.

Pandey said the government would run the economy on socialism and people oriented basis for the sake of high economic growth and distributive justice. All the three sectors of the economy cooperatives, private and public sectors will have significant role to play.

Structural change in the economy would be initiated with commercialization of agriculture, industrialization based on agriculture, forestry and available minerals, hydroelectric power and

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generation and its commercial use and also focusing on the new dimensions of tourism development by relinquishing subsistence agriculture and tax benefits processing industrial structure.

Internal source will be increased and external dependency will be reduce for the sake of huge investment required to achieve high economic growth rate. Investment friendly environment will be created for the promotion of private sector investment by removing all kinds of policy and infrastructure oriented obstacles.

For the time being, emphasis will be given to mobilize foreign assistance for large physical and economic infrastructure of national priority, rural infrastructure, agriculture, social sector and inclusive development. In the long run, emphasis will be given to build a self-reliant national economy without the need of foreign assistance minister Panday said.

Economic growth rate below target

The country’s economic growth rate during the fiscal year 2008/9 is likely to hover around 4.7%, much lower than the projected target for 7.0%.

The Economic Survey unveiled recently stated the growth in agriculture remained lower due to unfavorable weather conditions while long hours of power cuts combined with strikes and closures hit the industrial sector.

According to the Survey, the growth rate of agriculture and forest sector has been revised at 2.1 while the industry and power sector recorded a negative growth.

In the previous year, the agriculture and forest had grown by over 4.0%, industrial sector by 0.2% and power sector 3.7%. The savings/Gross Domestic Product ratio came down to 8.0% from 11.2% in the previous fiscal year, but the national savings ratio has gone up to 32.3% from 31.5 from the previous year.

The Survey shows very exciting growth in revenue this year, but the inflation remained very high.

GDP ratio to the revenue previous year 13.2% which is 14.8 in the fiscal year 2008/9.

Tourists arrival down

According to figures released by Tribhuvan International Airport tourist arrival figures by air has decreased by 5% on June as compared to the same month last year.

TIA informed the figures had decreased from 26,460 last year, 25,129 this year.

Though the overall the other Asian markets registered positive growth of 10.7%, the SAARC segment show a 12.7% decline compared to the same month last year. The Indian market which is considered as a major market showed a decline of 13.6%. Similarly, arrivals from Bangladesh and Pakistan have also witnessed a negative growth of 4.2% and 17.9%.

Only Sri Lanka registered a positive growth of 19.7%, out of the remaining Asian segment, Chinese arrivals have increased by 36.2% alone with Thailand with 87.8 and Singapore with 65.1%.

But other markets like Japan declined by 2.3% while Malaysia 11.4% and South Korea 23%.

The European markets have registered overall positive growth by 9.1%. Arrivals from the UK are up by 11.1% and Italy has also posted a significant increase of 24%. However, other destinations in Western Europe have posted weaker arrivals figures. France, Germany and Spain have suffered a decline by 7.2%, 9.4% and 14.7% respectively.

Arrivals from Australia, Canada and United States of America have registered positive growth of 7.6%, 8.5% and 4.4% respectively. According to Nepal Tourism Board markets like China and UK showed an upward trend.

Garment exports down

The exports of Nepali readymade garments to the US continued to go down with a double decline in may as well. The export during the month went down by 49 percent compared to the same month last year.

According to Garment Association of Nepal data, Nepal during May exported readymade garments worth US$ 441.23 million, which was the total exports same period last year was of US$1,109,749.72.

The export during May last year had also declined by 51 percent compared to may 2007.

Garment export to USA has been declining continuously since November last year after a respite in October, when the export had increased by 44 percent.

Export during January, February, March and April this year had gone down by 73 percent, 55 percent, 32 percent, and 58 percent compared to the same months last year respectively.

Meanwhile, a US bill regarding trade relief to 14 developing countries including Nepal has been tabled in the US Senate. If approved by both U.S. Houses Nepali garments will get preferential entry to the U.S. providing some relief to the beleaguered garments industry.

Nepal-Turkey CCI launched

The Nepal- Turkey Chamber of Commerce Industry was formally launched recently. This is the 11th bi-national chamber to be formed. According to Akhil Chapagain, president of the Nepal- Turkey Chamber of Commerce and Industry, it will act as a bridge between Nepal and Turkey to promote bilateral trade.

Ajay K. Mudbhari, Rupak Pradhan and Vijay Singh Vaidya are vice president, general secretary and secretary of the chamber respectively.

Chapagain said, “This chamber will promote Nepal’s exportable items in Turkey as well as try to attract Turkey’s investment in infrastructure projects.

As of now bilateral trade between Nepal and Turkey is minimal. Household items, gas heaters, chocolates, juices and industrial raw materials are the major items that Nepal imports from Turkey. Likewise, handicraft is Nepal’s exportable items to Turkey. According to Chapagain, tourism is potential sector for Nepal.

Indian fiscal deficit

Indian Finance Minister Pranab Mukherjee forecast a growing fiscal deficit recently as he presented a budget aimed at returning the economy to 9.0% annual growth “at the earliest”.

While stressing the need for fiscal “austerity,” Mukherjee announced increased funding for farmers and poverty alleviation programmes in a spending splurge that would push the ballooning fiscal deficit in 2009/10 to 6.8% of GDP.

The estimate was greeted with dismay on the stock market, where the benchmark 30 share Sensex tumbled to close 5.83% lower. The proposed deficit was far higher than the 5.5% put forward by the government in an interim per election budget in February.

India’s fiscal deficit has risen sharply in recent years on loan waivers for poor farmers, subsidies and stimulus packages to boost the economy. It had ballooned to 6.2% in the year to March 2009 more than double the government’s target of 2.5% and the highest in nearly two decades.

Indian economy likely to grow

An upbeat industry, riding on impressive Indian growth achieved in the January-March 2009 period, feels the
Indian exports decline

India’s exports fell the most in at least 14 years as the worst global recession since the Great Depression slashed demand for the nation’s jewellery, clothing and other products. Merchandise shipments dropped 33.2% from a year earlier to $10.74 billion.

Exports slid 33% in March. New commerce minister Anand Sharma said the government is likely to announce steps to help exporters in the Budget due in the first week of July. Interest-rate cuts and fiscal stimulus worth 7% of gross domestic product helped the nation grow by 5.8% in the three months to March 31, making it the world’s fastest-growing major economy after China.

India’s low reliance on exports and an aggressive double-barrelled fiscal and monetary response softened the blow to the economy, he said Rajeev Malik, a regional economist at Macquarie Group Ltd in Singapore. Further economic reforms will boost the economy, he said. RBI governor D Subbarao on April 21 cut borrowing costs to a record low to support an economy forecast to grow at the slowest pace since 2003.

Bangladesh economy to grow

Bangladesh’s economy is forecast to grow by 5.9 percent in the current fiscal year with the country escaping the brunt of the global economic meltdown, an official said recently.

The forecast growth for the year to June for the impoverished South Asian Nation is below an earlier government estimate of 6.5 percent but higher than the 4.5 percent projected by the World Bank. ‘Our economy has done relatively well despite the global meltdown. Remittance inflows have been robust and agriculture also did better,’ Iramul Haq, head of the country’s national statistics office, told AFP.

“Exports have been hit by the global economic recession but still performed better than many other countries in Asia and across the World,” he added.

Remittances and exports have been Bangladesh’s main growth drivers for the past four years when the economy grew by an average of over six percent annually, marking the strongest growth spell since independence in 1971.

Pakistan unveils deficit budget

Pakistan unveiled a deficit national budget recently proposing an increase in defence expenditure to help fight Taliban militants while boosting agriculture and industrial output and reducing poverty. The budget for fiscal 2009-2010 starting from July 1 comes amid increasing suicide attacks and other militant violence in the major towns and cities of the nuclear-armed South Asian country. “We now face the prospect of incurring huge costs on account of counter insurgency expenditures,” state minister for finance Hina Rabbani Khar told parliament as she introduced the 35.85 billion dollar budget. She said the government had fixed the defence budget at 343 billion rupees (4.24 billion dollars), an increase of 47 billion rupees ($81 Million dollars) for the next fiscal year. She said that the government had a big challenge to deal with as million were left homeless due to military operations against the Taliban.

Indian manufacturing sector recovering

India’s manufacturing sector showed marginal signs of recovery in the second and third quarters of the last fiscal compared to the corresponding quarters in 2007-08, says a report by an industry lobby. Due the prevailing global recession, most countries in South Asian, Southwest Asia and Asia Pacific are hampered by liquidity crunch and Confederation of Indian Industry (CII)-Ascon survey said that five sectors fertilizers, low and high density polythene, pin iron steel and moped moved from negative to moderate growth.

ASIA

China growth forecast

The World Bank raised its 2009 economic growth forecast for China from 6.5% to 7.2% due to its stimulus-driven investment boom but cautioned it was too soon to say a sustained recovery was on the way.

The stimulus impact is bigger than expected and will “strongly support growth,” said Ardo Hansson, the bank’s lead China economist. The 4 trillion yuan ($586 billion) plan is aimed at shielding China from the global slump by pumping money into the economy through spending on building airports and other public works.

“Growth in China should remain respectable this year and next, although it is too early to say a robust recovery is on the way,” Hansson said at a news conference.

Trade and private investment will remain weak, consumption will slow and a full – fledged recovery has to wait for the global economy and export demand to rebound, the Washington –based lender said in a quarterly report.

China’s economy grew 6.1 percent in the first quarter from the same time last year, the strongest rate of any major country but below the government’s 2009 target of 8 percent and far from 2007’s explosive 13 percent.

The first time the bank has raised its outlook for China since November, when it slashed its 2009 forecast from 9.2 percent to 7.5 percent. The bank cut that again in March to 6.5 percent. The bank said the growth rate should rise slightly in 2010 to 7.7 percent. Hansson expressed surprise at Beijing’s “Buy China” order, reported by state media, for stimulus projects to use domestically made goods.

Japanese economy shrinks

Japan’s economy suffered its worst contraction on record in the first quarter as a depending global recession crushed demand for its cars, electronic gadgets and other goods, data showed recently.

Analysts said the dismal performance may mark the trough in Japan’s worst slump since World War II, although a swift recovery seem unlikely.

The economy contracted 4.0% in the three months to March compared with the previous quarter, logging an annualized
News & News

drop of 15.2%, the Cabinet Office said.

Prime Minister Taro Aso said the
economy was in “a severe situation,” with
the recession spreading from the
 corporate sector to household spending.

It was the weakest performance since
comparable records began in 1955,
eclipsing an annualized fall of 13.1% in
the first quarter of 1974, when the
economy was reeling from a global oil
shock. It was also the first time the Japanese
economy has contracted for four straight
quarters. It shrank 3.8% in the fourth
quarter of 2008, even more than previously
thought, the government said.

Japan entered recession in the
second quarter of 2008 as consumers
around the world stopped buying big-ticket
items during the economic downturn.

China, Japan

to boost recovery

China and Japan on recently vowed
to jointly promote world economic recovery
during a meeting of top ministers and
senior officials in Tokyo, Japanese
Foreign Minister Hiroyuki Nakasone said.

“On the global economic and
financial crisis, both countries agreed to
implement what was agreed at the
London summit swiftly and in a solid
manner in order to realize the global
economic recovery as soon as possible,”
he said.

At their London summit in April, the
Group of 20 developed and emerging
economies agreed to commit one trillion
dollars to the International Monetary Fund
and other global bodies to help struggling
economies. They also agreed to push for
greater regulation of the global financial
system to tackle the deepest global crisis
in decades.

Japan boosts output

A sharp rise in Japan’s industrial
output is boosting hopes of a recovery in
the world’s second biggest economy even
as government figures recently showed
employment had reached a five-year high.

While companies are starting to
bet on an economic upswing, Japan’s worst
post-war recession is still impacting the
world’s number two economy through job
losses and falling prices, the data show.

Factory output in April rose 5.2% on
the previous month, the fastest monthly
jump in more than half a century and far
above market expectations for an increase
of around 3.3%, the trade ministry said.

The second monthly increase in a row
fuelled hopes that companies have run
down most of their stockpiles and will
keep ramping up production. Manufacturers
forecast that output may rise 8.8% in May and 2.7% in June, raising hopes for a rebound in Asia’s
biggest economy.

WORLD

US housing
construction up

Constriction of new homes jumped in
May by the largest amounts in three
months, an encouraging sign that the
nation’s deep housing recession was
beginning to bottom out. The Commerce
Department said recently.

That construction of new homes and
apartments jumped 17.2% last month to
a seasonally adjusted annual rate of
532,000 units. That was better than the
500,000 unit pace that economists had
expected and came after construction fell
in April to a record low of 454,000 units.

In another encouraging sign for
building permits, seen as a good indicator of future activity, rose 4% in May to an annual rate of 518,000.

The better –than expected rebound
in construction was the latest sign that the
prolonged slump in housing is coming to
an end, which would be good news for the
broader economy.

The current recession is the longest
since the Great Depression that triggered
by a collapse in the housing market that
led to soaring loan losses and a banking
system crisis. A healthy home market is
economic recovery.

$3.4 billion aid for
developing nations

ADB Board of Directors has approved
allocation of $3.4 billion in additional funds
to help developing member countries
(DMCs) respond to the global economic
crisis. ADB has established a $3 billion
Countercyclical Vulnerability Facility (CSF)
that will provide short-term, fast-disbursing
loans. It will support DMCs aiming to
ramp up fiscal spending to counter the
crisis but who lack the means to do so. CSF,
which will be available to DMCs who
qualify for loans from ADB’s Ordinary
Capital Resource (OCR), will be capped at
$500 million per country. ADB will also
make available a further $400 million
to the Asian Development Fund (ADF). This
will benefit countries with no access to
OCR. ADB resources are provided in the
form of concessional loans and grants to
low-income DMCs with limited debt
repayment capacity. The additional ADF
resources will be used to provide funds to
finance key development investment in low
income countries that are among the most
c fis tally constrained in responding to
the crisis. ADB plans to use the lending
assistance by more than $10 billion in
2009–2010 bringing total ADB assistance
for these two years to about $332 billion.
This compares with about $22 billion in
2007–2008. Of the proposed $10 billion
increase in lending $1 billion is committed
to support trade finance, $3 billion to the
CSF and $6 billion to extending loans for
infrastructure investment.

Russian economy
suffers blow

The Russian economy contracted by
11% in the month of May compared with
the same month last year, the government
said recently, in the latest blow to hopes
of a swift recovery in the country.

Deputy economic development
minister Andrei Klepach also said the
 Russian economy had shrunk by 10.2% in
the first five months of the year and offered
a bleak prediction for the year as a whole.

In light of the latest figures, “a contraction
of only 6% in GDP (gross domestic product)
in 2009 would mark a heroic achievement
for the economy,” Russian news agencies
quoted him as saying.

Zimbabwe could
grow at 4%

Zimbabwe’s Finance Minister Tendai
Biti said recently the economy could grow
by 4.0% this year after being battered by
years of hyperinflation and economic
contraction. “We do have the vision and I
think we should easily, easily achieve a
growth rate of 4.0% this year, which is way
above the expected African growth rate of
1.9% in 2009,” Biti said. He was speaking
at the World Economic Forum on Africa in
Cape Town, where he discussed challenges
to recovering from Zimbabwe’s economic
crisis which has been compounded by a year of political turmoil following failed elections in March 2008.

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